

Police Pension Fund

Board Minutes

Of

March 8, 2007

PRESENT: Thomas M. McMahon, David M. Cituk, Ryan Hottenstein, Kevin L. Rudy, Michael Fizz, Louis Rizzuto (Solicitor), Toyia Reed (HR Coordinator/Pension)

ABSENT: William Heim

ORDER: Meeting was called to order by Mayor, Thomas McMahon @ 10:03 A.M.

PRESENTER: **1. Roger Barilani – Wachovia Securities**
Kurt Saeger – Wachovia Securities
Re: Proposal of Allocations

Mr. Barilani and Mr. Saeger presented the Board with his proposal of asset allocations. Mr. Barilani informed the Board that the current value of the portfolio is \$55.8 million. The proposed asset allocation would advise that the Board take 5% from each Equity Manager, and change it to 10% in a small Mid Cap Core and 10% in an International Core. Mr. Barilani presented an illustration of a 1, 3, 5 and 7 year comparison between our current portfolio, the proposed portfolio, and the Index. This illustration showed on an annual basis that the Index beat them both. Mr. Barilani presented a Year by Year Comparison on the Index, our current portfolio, and the proposed portfolio. The results were the same as the previous illustration. Mr. Barilani presented an illustration of the 3 Year Risk Reward; it shows that our current portfolio is in the right quartile; more risk, less return. In the proposal we are still in the same quartile with a higher rate of return. Mr. Barilani presented a Market Capture for a 7 Year Period. The upside capture ratio shows our current portfolio is picking up 4.5% more than the Index over that 7 year period. The proposed portfolio will pick up almost a 10% increase vs. the Index. The downside capture ratio illustrates that our current portfolio only captured 80% of the downside; the proposed portfolio captured 63% approximately. Mr. Barilani presented an illustration of Growth of an Investment on \$1 million from December 31, 1999 to December 31, 2006; which showed a comparison of the current portfolio, proposed portfolio, and the Index. Mr. Barilani presented an illustration of the current portfolio's quarterly percentages to give an idea of what happens with different managers at different times. Mr. Barilani presented an illustration of Hybrids Allocation which shows our current allocation and all Indexes. It also follows an asset allocation from the Index side. Mr. Barilani presented a 1, 3, 5, 7 and 10 Year Cumulative Return Performance Bar which illustrates that the Indexes significantly beat our portfolio. If the Board would like to include Indexes, they must keep in mind that there is more risk attached, but over time the significance may not be that much. Mr. Barilani presented a Year by Year Annual Performance Comparison. Last year our current portfolio was beaten

significantly by the Index. In 2005 the results were not too far apart from 2006. In 2004, the Index beat the current portfolio again. In 2003, our current portfolio was beat by the Index. In 2002, the downside capture illustrates a 9% difference between the Index and our current portfolio. In 2001, our current portfolio was even and the Indexes were down 6%. In 2000, our current portfolio was up 4.32% and the Index was down 3.14%. Mr. Barilani presented an illustration of Risk Rewards Multi Scatters over 3 periods of time; 12/2003-12/2006, 12/2001-12/2006, 12/1999-12/2006, which basically shows that we did take a conservative route, the Indexes are higher, but they are also more risky. In the end, over a period of time of 12/1999-12/2006 our current portfolio actually outperformed with less risk. Mr. Barilani presented an illustration of Market Capture over a 7 year period; which illustrates that we are catching a lot of the upside, but we are not catching anywhere near the downside without an Index. Mr. Barilani recommends that the Board change the asset allocation to the proposed asset allocations. The Board can add Indexes at a later date. Mr. Barilani informed the Board that Wachovia has a Money Market Account that offers 5.2% interest on funds of \$10 million and more. He recommends that the Board move the remaining Bond Funds (\$20 million) into that Money Market Account. Mr. Barilani addressed the issue of the increase of participation in the DROP Program. Last year, there was a consistent withdrawal of \$300,000 per month to pay liabilities. Last month, there was a withdrawal in the amount of \$411,000. That is a 33% increase. Mr. Barilani spoke with the Board Solicitor regarding the Investment Policy in regards to possibly rebalancing.

MOTION by Cituk/Rudy to transfer \$20 million from the existing account at Sovereign Bank to the Wachovia Money Market Account at 5.2% interest...**MOTION PASSED UNANIMOUSLY**

MINUTES:

MOTION by Rudy/Cituk to approve the minutes dated February 8, 2007 as presented**MOTION PASSED UNANIMOUSLY.**

FINANCIAL REPORTS:

MOTION by Hottenstein/Fizz to approve the following financial Reports ...**MOTION PASSED UNANIMOUSLY.**

Financial Report	February 2007
Statement of Transactions	February 2007

BILLS:

MOTION by Rudy/Cituk to pay the following bills....**MOTION PASSED UNANIMOUSLY.**

1.	Louis Rizzuto	\$ 1,228.75
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APPLICATIONS: **MOTION** by Rudy/Fizz to approve the following application...**MOTION PASSED UNANIMOUSLY**
 Name: Donna M. Adam
 Type: Surviving Spouse
 Date: 2/21/07
 Amt: \$1,397.28/Month

D.R.O.P. APPLICATIONS: **MOTION** Cituk/Rudy to approve the following DROP applications...**MOTION PASSED UNANIMOUSLY**

Name: Robert Fontanez
 D.O.H.: June 30, 1988
 Drop Entry: March 1, 2007
 Drop Exit: March 31, 2010
 Amount: \$3,924.29

REFUNDS: None.

CORRESPONDENCE:

1. Civilian Buyback

MOTION by Cituk/Rudy to accept the correspondence regarding request to buyback civilian time with no interest bearing on the funds paid into the Police Pension Fund...**MOTION PASSED UNANIMOUSLY**

Police Officer James Burkhart

Officer Burkhart submitted a letter of intent to buyback five years of Civilian Service via payroll deduction of \$50.00 per pay.

Police Officer Brian Burr

Officer Burr submitted a letter of intent to buyback five years of Civilian Service via payroll deduction of \$10.00 per pay.

Police Officer Eddie Campos

Officer Campos submitted a letter of intent to buyback five years of Civilian Service via payroll deduction of \$20.00 per pay.

Police Officer Jose Gonzalez

Officer Gonzalez submitted a letter of intent to buyback five years of Civilian Service via payroll deduction of \$30.00 per pay.

Sergeant Michael Kalin

Sergeant Kalin submitted a letter of intent to buyback five years of Civilian Service via payroll deduction of \$25.00 per pay.

Police Officer Thomas MacDougal

Officer MacDougal submitted a letter of intent to buyback five years of Civilian Service via payroll deduction of 10.00 per pay.

Sergeant Felix Mateo

Sergeant Mateo submitted a letter of intent to buyback five years of Civilian Service via payroll deduction of \$10.00 per pay.

Police Officer Ken Moyer

Officer Moyer submitted a letter of intent to buyback five years of Civilian Service via payroll deduction of \$10.00 per pay.

Police Officer John Pacharis

Officer Pacharis submitted a letter of intent to buyback five years of Civilian Service via payroll deduction of \$10.00 per pay.

Police Officer Christian Rothermel

Officer Rothermel submitted a letter of intent to buyback five years of Civilian Service via payroll deduction of \$10.00 per pay.

Police Officer Javier Ruiz

Officer Ruiz submitted a letter of intent to buyback five years of Civilian Service via payroll deduction of \$45.00 per pay.

OLD
BUSINESS:

1. Military Buyback Update

The Police Pension Board is still awaiting a decision from City Council to amend the Police Pension Fund ordinance in order to correct the 15-7% to 15.7% typographical error.

2. D.R.O.P. Manual Update

The D.R.O.P manual cannot be updated and/or completed until the Police Pension Fund ordinance is amended and complete. Board member Kevin Rudy suggested that a notice be placed in the current D.R.O.P. manual, regarding Military Buyback, which it is contingent upon the current value displayed in the ordinance. Therefore, if any changes occur in the future, the manual will not have to be updated.

MOTION by Rudy/Cituk to activate and distribute forty (40) copies of the D.R.O.P. manual after Solicitor Rizzuto makes a minor amendment to the language. This will be contingent upon the fact that the manual can be later pulled and updated. The D.R.O.P. manual shall be distributed within Two (2) weeks...**MOTION PASSED UNANIMOUSLY**

3. Academy Instructor Pay

The checks are being processed for all employees who are eligible to receive a refund of pension contributions erroneously deducted from Academy Instructor Pay.

4. Calendar Year

Pension Board Solicitor Lou Rizzuto will speak with City of Reading Managing Director Leon Churchill regarding the meaning of Calendar Year. Solicitor Rizzuto will report back to the Board next (April) month. The Board suggests that the F.O.P move forward with taking the issue to arbitration.

5. Cost of Living Adjustment

The Pension Administrator is currently working with Milliman (Actuary) in providing information on the Police Pension Fund so that the actuarial study can be completed. Upon completion the Board will make a decision on whether or not a Cost of Living Adjustment will be issued.

6. Sergeant Mark Stump

Board member, David Cituk will research the discrepancy on the Plan Participant Report which does not show the individual contributions for the year 1980 and 1981.

NEW

BUSINESS:

None.

ADJOURNMENT: **MOTION** by Hottenstein/Rudy to adjourn @ 11:14 A.M.

Respectfully submitted _____
Pension Coordinator